

Message Text

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43

ACTION AF-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PRS-01 L-03 /055 W

----- 014064

R 081450Z NOV 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 7678

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E. O. 11652: N/A

TAGS: EFIN, EINV, NI

SUBJ: AIIC NOTIFIED OF FMG INTENT TO INCREASE EQUITY

1. AMERICAN INTERNATIONAL INSURANCE COMPANY (AIIC) MANAGING DIRECTOR, LOUIS LEFEVRE, INFORMS EMBASSY THAT HE HAS RECEIVED LETTER FROM FMG INFORMING HIM THAT GOVERNMENT DESIRES TO PURCHASE ADDITIONAL 11 PERCENT EQUITY SHARE OF AIIC (AND APPARENTLY ALL INSURANCE COMPANIES) TO INCREASE FMG SHARE TO 60 PERCENT. NO DEADLINE FOR SALE GIVEN. IMPLICATION OF LETTER IS THAT ADDITIONAL EQUITY SALE WILL BE AT AN FMG DESIGNATED PRICE (AS IN THE CASE OF RECENT BANKS INDIGENIZATION) BUT LEFEVRE SUSPECTS PRICE WILL BE MORE GENEROUS THAN THAT GOVERNMENT SET FOR SALE OF 49 PERCENT OF INSURANCE COMPANIES.

2. IN ASSESSING AIIC LEVERAGE IN THIS NEW SITUATION, LEFEVRE NOTES COMPANY ANTICIPATES GETTING FOREIGN EXCHANGE CLEARANCE MOMENTARILY, FOR PROCEEDS FROM SALE OF 49 PERCENT EQUITY SHARE (ABOUT \$350,000). APPROVAL EXPECTED DURING WEEK TO REMIT \$320,000 WORTH OF 1975 DIVIDENDS. FOREIGN EXCHANGE CLEARANCE STILL PENDING FOR REMITTANCE OF REINSURANCE PAYMENTS WORTH \$1.6 MILLION. AIIC MORE VULNERABLE TO FMG PRESSURE AND TERMS WITH THESE AMOUNTS OF MONEY

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STILL IN NIGERIA.

3. THIS LATEST STEP APPEARS TO INDICATE AN FMG
POLICY OF PUSHING NEW INDIGENIZATION STANDARDS A
SECTOR AT A TIME. SEQUENTIAL APPROACH ALLOWS FMG TO
EXERT MAXIMUM SWAY ON FIRMS UNDER SCRUTINY AT A
GIVEN POINT AND PROVIDES A KIND OF PRECEDENCE EFFECT
AS EACH SECTOR CAVES IN. EMBASSY NOTES THAT
APPARENT FMG DESIRE TO ACQUIRE ADDITIONAL SHARES
FOR ITSELF PARALLELS RECENT BANKING EXPERIENCE AND
MAY SIGNAL GOVERNMENT DETERMINATION TO AFFECT GREATER
CENTRALIZATION AND POLICY CONTROL IN KEY INDUSTRIES.
EASUM

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Message Attributes

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Margaret P. Grafeld
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